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773.5-175P/6-959

FROM : Amembassy BENGHAZI

252

DESP. NO.

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SERIES A

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 9, 1959

DATE

REF : Department of State Instruction CA-9586, May 2, 1958.
Airgram G-538 to Tripoli, April 20, 1959.

67 For Dept. Use Only	ACT. 17 26/4/59 REC'D	DEPT. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100
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SUBJECT: Fiscal Year 1961 Military Aid for Libya

PART II Reference Instruction

U.S. military aid for Libya is given primarily to build a Libyan Army capable of maintaining internal security, of ensuring the ability of the Federal Government to implement its policies in all three provinces, and of resisting guerilla raids. There would not appear to be any present need for a Libyan force capable of doing more. Libya's borders are protected from foreign invasion under the terms of the Anglo-Libyan Treaty, wherein the United Kingdom is obliged to render military assistance in case Libya is attacked, and presumably also under the Eisenhower Doctrine.

The total force to be built up and equipped, is about 5000 men, as against a present total of approximately 3000.

In any consideration of Libya's capabilities in maintaining an army sufficiently equipped to keep public order, the chief fact is that Libya's economy is largely dependent on foreign investment, public and private. The U.K. is providing 3.25 million pounds per annum to Libya. The U.S. for the Libyan fiscal year 1959/60 plans to provide 8 million dollars in direct budget support, plus an additional amount of approximately 14 million for economic development and technical assistance. It is not expected that Libya can support itself, in terms of meeting its budget costs and economic development needs to provide a reasonable rise in living standards within the next ten years, even with such external assistance, unless oil is found in large quantities.

The U.S. and the West are faced with the problem of keeping Libya friendly to their interests for various reasons. So far as the U.S. is concerned, our interest is primarily strategic, i.e., to permit Wheelus Air Base to operate and to deny unfriendly powers the rights that we enjoy here. The British have a lesser strategic interest, but, particularly with the denial of Cairo air facilities, have a major interest in Libya as an air transit point for commercial flights to the rest of Africa.

American military aid is an important factor in Libya. Psychologically, particularly in underdeveloped countries such as this, an army provides a source of national pride which can be highly desirable from our point of view. Libya at

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present is not a unified country but rather two chief provinces having little in common. The divisive forces at work in Libya could prove fatal eventually to the country's unity unless means are taken to check them. A strong central army, therefore, could serve two purposes: the first would be to maintain physically the unity of Libya in the event that civil disorders threatened to separate it; the second is to provide a source of national pride which psychologically helps the people to think of themselves as Libyans, rather than Tripolitarians, Cyrenaicans or even members of a tribe.

The fact of American military aid to the Libyan Army, if sufficiently well publicized, can be useful in strengthening the relations with both the Government and people of Libya, in addition to the practical end of building the force necessary to carry out the objective described above.

If we are to help in this task we cannot avoid considering the fact that there exist also in Libya two independent police forces, each of which is numerically larger than the present army and one of which, the Cyrenaican Defense Force, is, in effect, a para-military organization. While our policy should be to strengthen the army at the expense of the provincial forces, this policy must for the time being remain a tacit one in view of the explosive situation we would create by openly advocating it at present. Nevertheless, it should be kept constantly in mind and opportunities to project our point of view should be taken as they arise.

While the impact of our military assistance may be somewhat lessened by the fact that we share with the British responsibility for the Libyan Army, so long as friendly and effective cooperation exists between the US and UK in Libya toward this responsibility, and as the Libyans appear to be happy in their military relations with the British, this factor would not appear to be important.

PART III Economic Considerations

As previously indicated, the economic capability of the Libyan Government to build or maintain an army from its own resources is limited. Except for the possible development of an oil industry, discussed below, the growth of its economy is likely to remain slow, and the level of real national income at present is certainly among the lowest in the world. The Libyan budget is now being subsidized by both Great Britain and the United States. The British contribution (3.25 million pounds per annum for fiscal 1958/59 and the four following years) is in the form of a general subsidy and is not earmarked for any particular category of expenditure. The US budgetary contribution for US FY59 (applicable to the Libyan fiscal year 1959/60, April 1 - March 31) will be approximately 8 million dollars and, except for about \$500,000 allocated for development expenditure through LARC, will also not be earmarked for particular expenditures. From its total estimated revenues for the Libyan fiscal year

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1959/60, the Libyan Government has allocated 1.35 million pounds for the Libyan Army. To arrive at an estimate of the total to be devoted to military and paramilitary expenditure, the following should be added: 107,000 pounds Federal Police; and 470,000 pounds, representing the estimated 60% of Cyrenaica Defense Force expenditure which can be considered paramilitary. Although some of the Tripolitania Police expenditure might be considered paramilitary, it would amount to very little and has been ignored.

Although US defense funds will not be allocated directly for Libyan military expenditures, it is clear that some equipment and consumables will be paid for from budgetary funds originating in the form of US or UK contributions. These amounts may increase in the future, since the light equipment to be provided by the UK will not be maintained or replaced by the UK except on a reimbursable basis.

The capability of the Libyan economy to pay for its military establishment from domestic resources may increase in future years. Present indications are that commercially exploitable petroleum deposits do exist in at least one promising area (Esso Concession No. 6, Cyrenaica). It is estimated that the extent of these deposits should be fairly well established by early 1960, and that production may start by 1961 or 1962. The current increase in exploratory activity, whether or not preparations for production go into high gear, should increase revenues derived by the Libyan government from ordinary customs duties, taxes, and other levies over the next two years.

With regard to Table I, USOM has not yet completed its FY 1961 or FY 1962 presentation of available resources. The data given here are taken from the USOM Master Program Book FY 1959 (ICA Form 10-89). The Central Statistics office of the Libyan Government has not yet released statistics for 1957, and cannot give an estimate of when this may be possible. It must be emphasized that there are not adequate statistics available for the calculation of Libyan national income and product. The data given in Table I ~~and~~ consequently show nothing more than a very general order of magnitude.

No breakdown of expenditure is available for the Federal Police or CYDEF. The projected expenditures for the Libyan Army for FY 1960/61 are based on the Libyan five year plan of expansion which has not yet been finally approved. No Libyan or American agency has made any projections for Libyan fiscal year 1961/62.

Military Considerations

A determination of the categories of equipment included in the term "light equipment" (to be furnished by Great Britain), and "heavy equipment" (to be furnished by the United States) has been made. Agreement has been reached between the British Military Mission and MAAG/Libya on the types and amounts of equipment or supplies that will be required. The US contribution of equipment will be provided at no cost to the Government of Libya, and will

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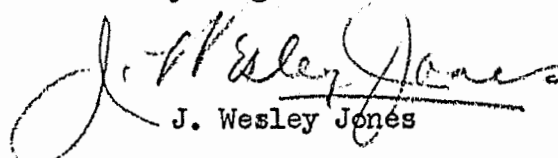
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substantially be supported and/or replaced by the United States. As noted above, the British contribution will be initial issue only at no cost, with replacements and ammunition provided thereafter on a reimbursable basis by the UK. Otherwise, Libyan budgetary expenditures will be limited to pay, miscellaneous expenses, maintenance costs and certain supplies such as fuel, food, training ammunition for weapons other than US, and replacement tires and batteries.

The material contained in this report is based on that found in MGLA 300, 7 January 1959, from MAAG/Libya to GINCEUR, sent in connection with the President's Committee on the Mutual Security Program.


J. Wesley Jones

Enclosures: 

1. Country Team Table I
2. Country Team Table II

USOM

Cleared in draft with MAAG/L

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RESOURCES AVAILABLE FOR DEFENSE
 (US \$ Millions: Line 1a1 US\$)

 Exchange Rate:
 LL 0.3571 = \$1

 Country Team Table I
 Country: Libya

A TOTAL AVAILABLE RESOURCES (From ICA, Form 10-89)	CY 56 Actual	CY 57 Estimated	CY 58 Estimated	CY 59 Projected	CY 60 Projected	CY 61	CY 62
1. <u>Source</u>							
a. Gross National Product at Current Market Price	100	112	118	132	135	N	N
a.1. Per Capita GNP	89	98	102	112	113	O	O
b. Foreign Balance - Net: Inflow (+) or Outflow (-)	+27	+25	+30	+35	+42	T	T
c. Total Available Resources	127	137	148	167	177		
2. <u>Disposition</u>							
a. <u>Consumption</u>						A	A
a.1. Private	78	80	82	87	90	V	V
a.2. All Government	28	34	41	46	50	A	A
a.3. Total	106	114	123	133	140	I	I
b. <u>Investment</u>						L	L
b.1. Private	8	10	11	13	17	A	A
b.2. Government (Civil Only)	13	13	14	21	23	B	B
b.3. Total	21	23	25	34	37	L	L
3. <u>Index of GNP in 1957 Prices:</u> (1957 = 100)	89	100	105	118	120	E	E

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RESOURCES AVAILABLE FOR DEFENSE (Continued)

B TOTAL RESOURCES AVAILABLE FOR DEFENSE	LFY 55/56 Actual	LFY 56/57 Actual	LFY 57/58 Actual	LFY 58/59 Estimates (Revised)	LFY 59/60 Estimates	LFY 60/61 Projected (Revised)	LFY 61/62 Projected
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1. Country Defense Expenditures

a. Self-financed (not including British equipment)	1.71	2.52	3.02	4.57	5.43	8.54	N O T
b. Financed from U.S. Grants and Loans							A V A I L A B L E
(1) Defense support <u>a/</u>							
(2) P.L. 480 (140c)							
(3) Total	nil	nil	nil	nil	nil	nil	
c. Total (a + b (3))	1.71	2.52	3.02	4.57	5.43	8.54	
d. Of which Country's Foreign Exchange (non-add)	<u>b/</u>	<u>b/</u>	<u>b/</u>	<u>b/</u>	<u>b/</u>	<u>b/</u>	

a/ Earmarked for defense expenditure

b/ For the Libyan Army only (Items 1 through 8, Table II), a rough estimate of the foreign exchange requirement would be 30% of the total of those items. No reasonable estimate can be made for the Ministry of Defense, the Federal Police and CYDEF (Items 9, 10, 11, Table II).

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RESOURCES AVAILABLE FOR DEFENSE (Continued)

	U.S. FY 56 (a)	U.S. FY 58 (b)	U.S. FY 60 (c)	U.S. FY 61 (c)	U.S. FY 62 (c)
2. U.S. Military Aid Programmed Through U.S. Fiscal Year (U.S. \$ Thousands)					
a. Major Materiel	162.0	824.6	779.4	586.7	1,095.8
b. Other Materiel	40.3	296.9	28.7	2.5	1.5
c. Construction	0	0	0	0	0
d. Follow-on Spares	0	0	30.6	0 (d)	0 (d)
e. Totals	202.3	1,121.5	838.7	589.2	1,097.3

NOTES:

- (a) Delivered June 1956
- (b) Delivered November 1957
- (c) FY 60 Program Submitted 1 December 1958 for approval.
Amended 6 April and 28 April 1959.
- (d) Value of follow on spares for FY 61 FY 62 cannot be
computed until after decision reached to provide US
material from US stocks or British materiel through off-
shore procurement.

ESTIMATED DEFENSE REQUIREMENTS
AND UTILIZATION OF RESOURCES
AVAILABLE FOR DEFENSE
(\$ Millions)

Exchange Rate:
LL 0.3571 = \$1

Service
Army and
Summary

Country Team Table II
Country: Libya

Expenditure Category	LFY 55/56 Actual	LFY 56/57 Actual	LFY 57/58 Actual	LFY 58/59 Budget Estimates (Revised)	IFY 59/60 Budget Estimates	LFY 60/61 Projected (Revised)	LFY 61/62 Pro- jected
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B ESTIMATED UTILIZATION OF RESOURCES
AVAILABLE FOR DEFENSE a/

Force Improvement

1. Materiel	0.17	0.17	0.14	0.59	0.49	*	N
2. Construction	0.03	0.03	0.08	0.07	0.13	*	O
							T

Force Maintenance

3. Pay and Allowance	0.50	0.59	0.79	1.21	1.74	2.69	A
4. Food	0.00	0.17	0.31	0.45	0.59	*	V
5. Clothing	0.11	0.17	0.20	0.20	0.30	*	A
6. Material Maintenance	(negl)	(negl)	(negl)	0.03	0.02	*	I
7. Petroleum Products	0.06	0.08	0.08	0.21	0.24	*	L
8. Other Operating Costs	0.08	0.06	0.11	0.23	0.26	4.06	A
9. Ministry of Defense	0.03	0.03	0.03	0.03	0.04	0.06	B
10. Federal Police b/	0.08	0.25	(est)0.20	0.28	0.30	0.36	L
11. Cyrenaica Defense Force (paramilitary portion) b/	0.65	0.98	(est)1.09	1.27	1.32	1.37	E
12. TOTAL	1.71	2.52	3.02	4.57	5.43	8.54	

a/ Excluding MAP and British or other equipment and training contributions. This table shows a distribution of the resources available for defense (Table I, Item B1(c)) by major expenditure categories.

b/ No breakdown available.

* Included in Item 8.

NOTE: (negl) = negligible; (est) = estimated.

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